



National Housing
Maintenance Forum

Contractor Forum

Soft Market Testing Best Practice Guide and Toolkit

V2 – 5 May 2022

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1. Introduction

1.1 About the NHMF

The [NHMF](#) is the leading body representing housing providers, committed to championing innovation to deliver excellence in maintenance and asset management.

The [Contractor Forum](#) was established in 2012 as the trade affiliation for contractors working in the field of social housing with the aim of creating closer working relationships between contractors, clients and sub-contractors and to work closely with the NHMF to promote best practice in the procurement and management of repairs and maintenance.

1.2 About the Best Practice Guide

The Contractor Forum developed a subgroup to work on this project and develop a best practice guide to Soft Market testing within the Social Housing Industry. The content of this guide derives from the practical insights, experience and knowledge of contractors, consultants, clients and procurement professionals. It is grounded in data and lessons learned both from the wider Housing sector and from a range of Social Housing projects. As such, it provides a 360-degree view of challenges/issues and an approach to addressing. Details of the subgroup participants can be found in the acknowledgement section to this document.

1.3 Background and Desired Outcomes

The background to the task set was the *Transforming Public Procurement* Green Paper which illustrated how the public procurement regime could be reformed with a view to speeding up and simplifying procurement, place value for money at its heart, and creating opportunities for innovative companies to win business and improve public services. This provides an opportunity to design an approach that delivers value for our communities and businesses. The consultation period has concluded and the new regime is unlikely to come into force until 2023 at the earliest but this provides a period of preparation and identification of key skills and approaches that will support the new regime.

A key proposal is the reduction in procurement procedures and replacing them with three modern procedures to include a new 'flexible competitive procedure' that will give buyers freedom to negotiate and innovate based on a process of design and tailoring to the procurement being undertaken.

This approach will necessitate the use of early market engagement and soft market testing and this became the foundation to this project.

The outcome from this process was therefore to:

- understand the extent to which soft market testing is currently being used across the social housing sector;
- how effectively it is being used; and
- to set out a best practice approach for success.

2. Data Gathering Methodology

In order to gather data to inform the project, a questionnaire was compiled and issued by the NHMF to both contractors and clients. This was supplemented further through the use of LinkedIn, to share the questionnaire more broadly with the wider sector.

In addition, a workshop was held at the NHMF Conference in January 2022 in order to share feedback received to date and gather further data from the attendees in order to enhance our findings.

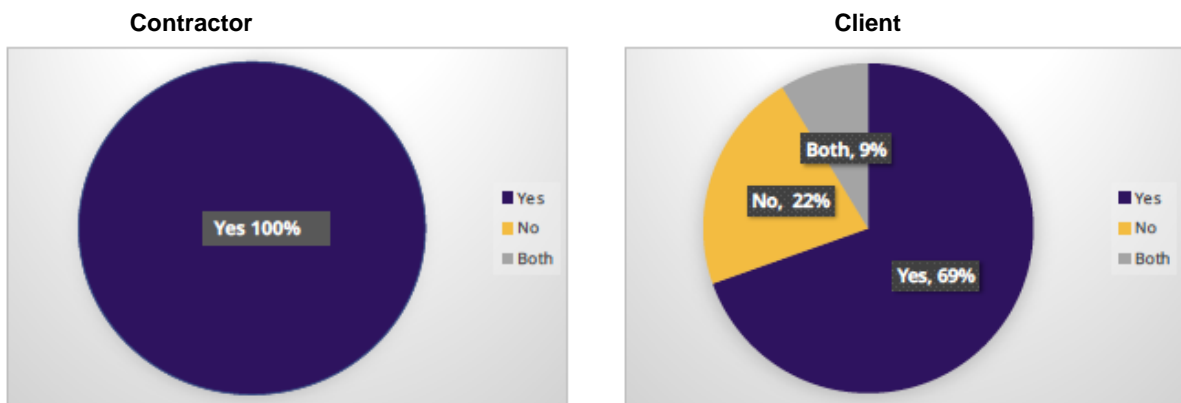
3. Research Feedback

Our research illustrated the following:

Have you used a Soft Market/Pre-market engagement questionnaire of event previously?

100% of the Contractors surveyed had taken part in a Soft Market Test or Pre-Market engagement activity and some of the larger contractors indicated that they completed on average 10-20 soft market testing questionnaires per year.

69% of clients surveyed had used Soft Market testing/Pre-Market engagement before, which was very positive but still reflected opportunities to improve and gain more from the process. 22% of clients had not used Soft Market testing/Pre-Market engagement before. This illustrates positive intent but also an area for further development.



4. Planning – Prepare to plan or plan to fail

4.1 Purpose and vision

Think about why you are carrying out soft market testing as this should shape the approach that you take. You may wish to understand what the market can deliver, increase market interest or seek feedback on options or approaches that you are considering, each of these will change the strategy you should follow.

Likewise, have a clear vision for the procurement/project that you are looking to undertake, the monitoring and governance framework that will be applied to this and the outcomes that you are seeking to achieve. Critically, the process should have clear leadership in the form of a project sponsor to set the tone and the collaborative approach which will influence the approach to early market engagement

4.2 How should we approach it?

Understand your expectations from the event and the feedback that you are looking for. Doing that will influence the questions you ask and format of the approach. Specifically, you will be looking to start a conversation, receive feedback and/or generate some interest whatever your purpose is. Think about an event, survey, targeted questions, focus groups or a 1-2-1 session.

It may be worth approaching the market and discussing possible options and approaches first to maximise chances of success. You may even identify other alternatives that you hadn't considered.

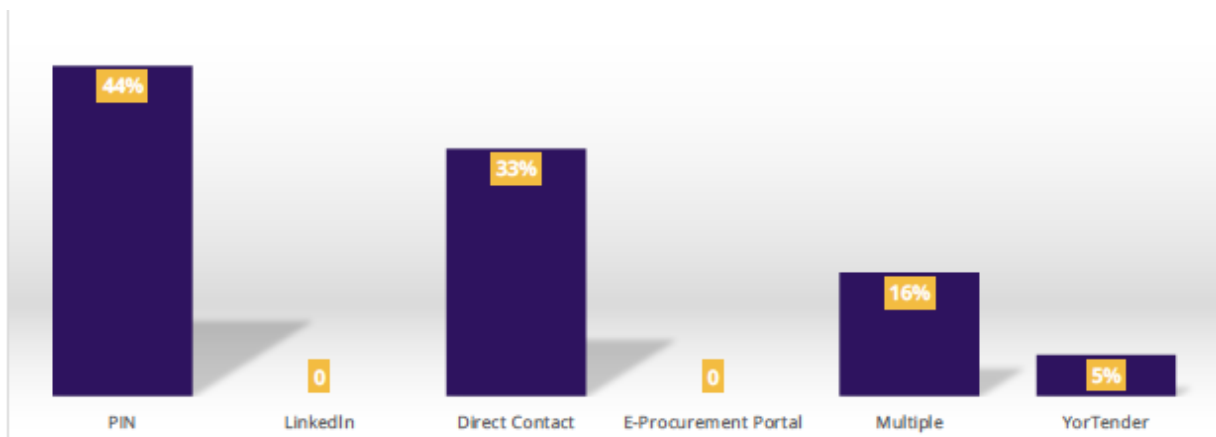
When considering the approach also seek to understand the market, what are the market forces and challenges in play or the demand/supply position. How is the market segmented and which elements should you be targeting?

Seek to be collaborative and open about the journey that you are looking to take and be open to ideas and feedback received.

5. Alerting the market

Client routes for conducting soft market testing

From our analysis 44% of clients surveyed used a PIN notice, 33% used direct face to face contact, 16% used multiple engagement methods and 5% used YorTender.



The 33% that preferred face to face contact tended to focus on a smaller group of contractors for that engagement which could limit the quality and depth of the feedback received by only engaging with a limited group or with organisations that you already know or have a working relationship with.

A Prior Information Notice (PIN) is the best way to start and early market engagement and soft market testing. This approach is transparent and opens the discussion up to the whole market.

Surprisingly, tools such as LinkedIn, E-Procurement Portals, Survey Monkey or similar tools were not used to advertise or support the PIN process which we felt was a lost opportunity which could however prove beneficial in the future in terms of wider visibility and enable a much broader level of engagement to be conducted.

There is also a significant opportunity to attract a wider market opinion and broader transparency by using social media to publicise the opportunity.

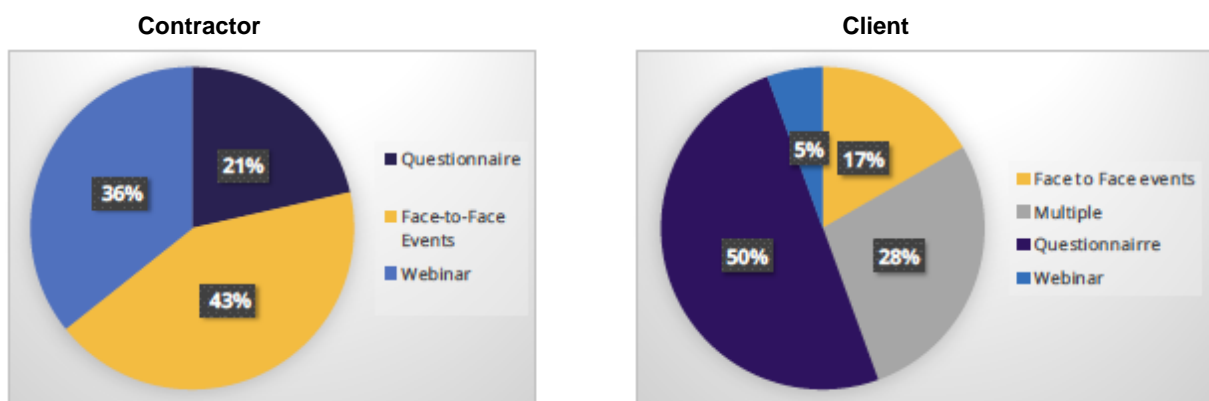
6. Communicating with the market

Mechanism to conduct soft market testing

When we explored the preferred mechanisms used to conduct soft market testing, this revealed an interesting but predictable contrast between the contractors and clients surveyed.

43% of contractors surveyed preferred face to face events, this being generally reflective of a preference to build relationships and engage in a two-way conversation in order to gain greater understanding of the what the client wants and is seeking from the contractors. 36% preferred webinars which in the absence of face-to-face contact provides the next closest form of engagement, and 21% preferred questionnaires which is perceived to be the most remote form of engagement.

50% of clients surveyed preferred questionnaires which illustrates a preference for a more arm's length approach to engagement, perhaps indicative of concerns in relation to transparency of the process. This was followed by 28% favouring multiple measures such as a combination of questionnaire and event, 17% preferred face to face events and 5% preferred webinars.



Similarly, client to client engagement can also take place in order to share knowledge and lessons learned which will be particularly key with the arrival of flexible and innovative procurement routes.

Interestingly, when compared to the consultation feedback received by Government, a dominant theme was the capability, competence, confidence and willingness of

procurement teams to embrace an innovative approach and nearly 50% of those who commented raised the need for learning and development activity to support implementation. The results of our research appear to correlate with this feedback by identifying an arm's length approach to engagement generally being preferred.

What should I ask?

Generally, having shared strategies, proposals or desired outcomes with your audience in an open and transparent way, you should invite comments on these and use open questions to encourage a depth and breadth in responses received as opposed to yes/no responses. This is where the power of face-to-face events is seen as it more easily enables dynamic exchange of information, views and questions, particularly for more complex topic areas.

Key areas to share and seek feedback on are:

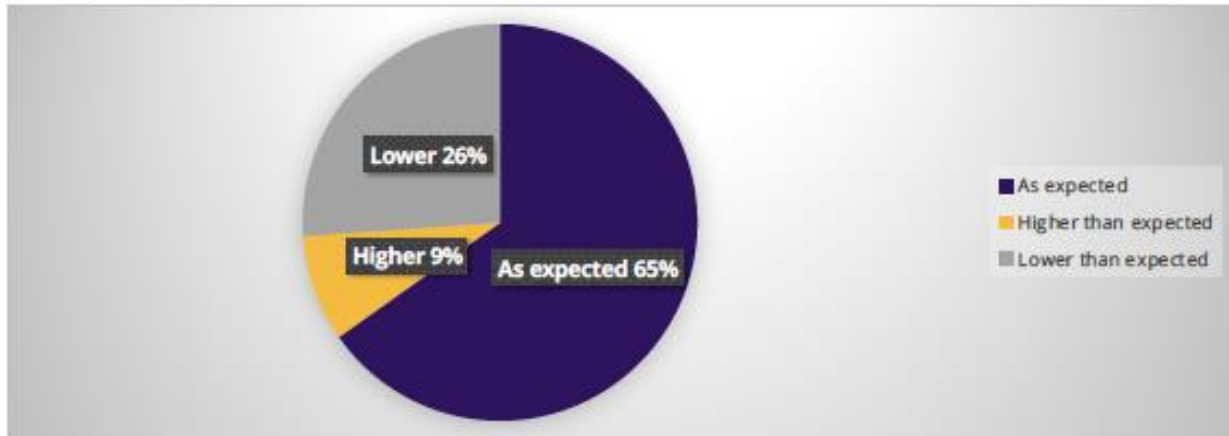
- Your values and culture
- Clarity of vision
- The type of relationship you want to develop and expectations around behaviours
- Different ways to achieve your aims or desired outcomes
- Deliverability of requirements
- The market appetite
- Allocation of risk
- Information that bidders would need
- What innovation means to you
- Procurement routes, lot structures, timetable, evaluation criteria
- Type of specification and performance framework
- Social value drivers and opportunities for wider social, economic and environmental benefits to communities

It is critical that however 'informal' the soft market testing is, the process is transparent, the same information is shared with everyone and good records are kept of the process undertaken, the dialogue and information that has been exchanged, and with whom. This ensures that the market is not distorted and will support the procurement business case and preparation of the Regulation 84 report at the end of the procurement process and also assist you in responding to questions raised.

7. Market Interest

Level of response received by Clients

65% of clients surveyed said the level of response was as expected, 26% lower than expected and 9% higher than expected.



The key question is what were their expectations based on and was any form of target number applied?

The process of planning is the key to identifying what success will look like and therefore what that equates to in terms of the level of response being targeted.

With the growing emphasis on innovation as a more flexible procurement route is introduced, this will force a change in behaviour and increase the necessity to utilise soft market testing and early market engagement.

Key to increasing the level of response from contractors will be the perception of the process being conducted. It is critical that contractors and service providers believe that the process and client is open and transparent and that they feel that the feedback that they provide will add value and help to shape and influence the client plans. Bearing in mind the volume of tendering activity, for contractors to take the time to participate in early market engagement and soft market testing to a greater extent, confidence and belief in the client and their process will be key.

An alternative method to consider in order to generate greater interest, is to work with established sector groups, such as the NHMF Contractor Forum for example, in order to bring additional exposure and credibility of a process.

Social media could also be utilised to generate a campaign style approach to both advertising a market testing process and also to secure online interest and feedback in a time efficient way.

8. Using the Data

How have Clients used the feedback gained from Soft Market Testing?

"Changed the requirements and invited innovation from suppliers"

"Short summary report of findings"

"Informed the Procurement Strategy"

"Will look at lot sizes , scope for frameworks and also accreditations"

"Feedback helped to shape the specification, procurement timetable and quality questions"

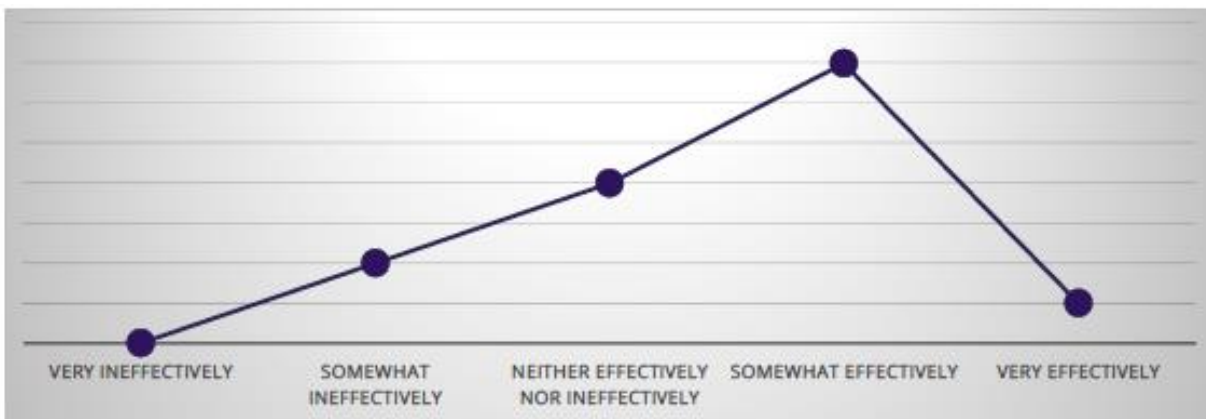
"Lotting Structure reviewed and amended for M&E Tender - no changes were made for Minor Works Framework"

"Specification, budget"

"Developed scoring matrix based on availability that suited requirements"

"Validated a lot structure Helped build the requirements"

How effectively have Clients incorporated the feedback given to help shape the procurement?



From our survey data it is clear that 50% of the feedback provided has been effectively incorporated into a procurement process – which is good, but that illustrates 50% of those responding believe that this could be better.

What were the main areas that were influenced?

- The Procurement Strategy
- Lotting structure and sizes
- Procurement timetable
- The scope
- ITT and tender documents
- Accreditations
- Quality questions

9. Lessons Learned

What have we learned and what would we do next time?

1. Take an informed approach regarding risk management and risk sharing.
2. Build a vision for the procurement and share culture and values.
3. Provide clarity of expectation and how the process will be carried out.
4. Ask better and difference questions that are open and provide more valuable feedback.
5. Understand the market.
6. Understand what would deter a contractor from tendering and how perceptions could influence that.
7. Consider support from a third-party expert or use a third-party expert to deliver the soft market testing to provide independence.
8. Provide results and outcomes back to those who took part in the soft market testing
9. Don't waste people's time.
10. Own the process and use the data.
11. Be clear, be honest.
12. Be clear about the sort of relationship we are looking for. E.g. partnering.

Example questions that could be asked

1. What are your key drivers for Social Value and how do your values align to our Social Purpose?
2. What are your timelines - how much time do you need to tender and mobilise in order to achieve our objectives?
3. How do you (contractor) differentiate between our customer journey and your resident liaison process?
4. How does your resident liaison process reflect your understanding of our business?
5. How will you look after our customers?
6. What is your understanding of our customer base and demographic and how will that influence the service you would provide?
7. What are the main cost drivers for you (contractor) for this contract?
8. What does success look like to you?
9. If you were in our shoes, what would you do?
10. How can we add value to each other?

Contractor Feedback - What needs to be provided to respond to the questions fully?

"Client vision and objectives, Budget, Previous contractual arrangements (if applicable), **Historical spend and order value, Preferred procurement route or options, Proposed form of contract(s), Pricing model**"

"Aims & objectives / desired outcomes."

"Performance and structure of the current delivery model, the reason to change"

"History of success / lessons learned."

"Information on the stock, resident profile, future investment, commercial model, budgets, risks and opportunities, customer service and TUPE. "

"Full details on how contract performance is managed and what initiatives and outcomes are expected."

Based on our survey, in order to make the Soft Market Testing process more successful the following should be provided:

- PIN notice - include more information
- Performance metrics and structure of current delivery model
- Reason for change from the existing approach/model
- Future investment being undertaken
- Risks and opportunities
- Customer service and expectation
- Aims and objectives and the desired outcomes
- History of success / lessons learnt
- Options available
- How are KPI's managed
- Incentivisation
- Clarity/aims/objectives/outcomes of what the client is seeking to do
- Client strategy and vision, proposed relationship style and how the delivery model can support the strategy
- Key information about the stock, residents, budgets, contract size and potential

10. Recommendations

Based on our survey findings a summary of the key recommendations are:

"Begin early, Consider every option available and then discount them , Share feedback with all those that took part"	"Be open to prospective solutions, Use market expertise, Liaise with peers from other organisations "
" Seek alternatives to what they propose , rather than acceptance"	" Ensure enough time has been planned in - including contingency Seek out feedback from peers - identifying learning and good practice."
" Share as much relevant background information as you can at this stage to give prospective tenderers enough to base their opinions on. "	" Talk to a couple of suppliers to learn about the market Make sure you have tech support to answer any questions Have a clear timetable for the Procurement event"
"Be as open and transparent as possible. Ensure a wide market is engaged to avoid complacency. Consider timescales with extreme attention"	" Don't be afraid to ask more than you think you should , companies will often put more effort in than you think"
"Talk to the market Look at the lessons in the construction playbook Understanding of cost"	" Start early , be clear of what your objectives are Don't be afraid to ask the obvious questions"
" Be open about current set up and how well it's working and what they're keen to improve. Ensure data was available for review; stock, repair volumes, void volumes etc. Be clear on anticipated budgets and contract term. "	" Make sure all relevant internal stakeholders have fed into the process Give yourself enough time."
	"Carry out your research, Get the right support, Select the correct companies to canvas "

Critically, plan the process properly and be open to consideration of all options – the outcome is not yet determined.

Allow time between the Soft Market Testing and procurement process in order to provide time to consider the feedback.

Keep the questionnaires short and simple, easy and clear to complete and simple to analyse the data when received.

Research – understand the market before approaching it.

Engage third party experts to support or run the process.

11. Summary

- i. Contractors are aware of the market, clients need to be aware of it as well.
- ii. Tipping point – contractors are much more fussy in terms of expectations of clients and what they will/won't bid for.
- iii. Time is precious!! Make good use of it!!
- iv. Share information that is needed.

Acknowledgements:

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Particular thanks go to:

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Appendix - Soft Market Testing Canvas

Soft Market Testing Canvas

Procurement/Project:

Designed by:

Date:

Version:

Purpose		Vision		Approach	
Why are we carrying out the Soft Market Test? What are we specifically trying to understand?		What is the vision for the procurement/project? What outcomes are we seeking to achieve and what will success look like?		What do we need to achieve through the soft market testing? What feedback are we looking for and from whom? What do we need to share? What will the governance structure be in relation to the process? What is our programme?	
		Key Resources		Options	
		Who will lead and be the Project Sponsor? Who are the other key team members and what will their role be? Do we need any external support?		What engagement options should we consider? What platforms/channels shall we use?	
				Guidance	
				Do we need to approach the market to discuss options and identify the best route for success?	
				Market	
				Do we understand the market? What are the challenges and market forces? Which market segments should we be targeting? How will we alert the market?	
Questions				Interest	
What do we need to ask? What specific feedback are we looking for? Use open questions.				What level of response are we seeking to achieve? How will we use the feedback and data received?	

<p>Influence How has the feedback influenced our approach?</p>	<p>Lessons What have we learned and what would we do differently next time?</p>
<p>Sharing How will we share the outcomes with those that took part?</p>	<p>Comments Any other points to be captured?</p>